

Community Development Commission

March 17, 2011

To: Supervisor Mark Ridley-Thomas
Second Supervisorial District

From: 
Sean Rogan, Executive Director

SUBJECT: ISSUES ON LOCAL HIRING RAISED DURING PUBLIC COMMENT

This report is forwarded in response to your request made at the Board meeting of February 15, 2011.

At the above meeting, Mr. Norman Phagans, a resident of the Athens-Westmont unincorporated area, voiced concerns about a perceived lack of local hiring at a Commission-sponsored housing development at the intersection of 105th St. and Normandie Ave.

At the time Mr. Phagans voiced his concerns, the contractor was in compliance with "Section 3" federal local hiring requirements although only one resident of the immediate area had been hired.

As indicated by Commission staff emails to your offices, a disturbance involving 30 to 40 local residents occurred at the site on February 24th. The contractor was physically threatened and a threat was made to "burn the building down". Fortunately, the group peacefully dispersed and the contractor hired two members of the group.

Subcontractors to the general contractor have committed to hiring at least 6 individuals from the local area and will continue local outreach efforts. A history of the development and related hiring efforts is attached for your reference.

The Commission is aware of your intent to file a Motion for the agenda of March 22nd that will stipulate the Commission implement and report on expanded local hiring efforts. We will abide by this Motion and anticipate being in compliance by May 1st.

If you have questions or concerns, I can be reached at 323-890-7400.

SR:CBB

c: Sachi Hami, Executive Officer

II. SPECIAL DISTRICT AGENDAS

**AGENDA FOR THE MEETING OF
THE COMMUNITY DEVELOPMENT COMMISSION
OF THE COUNTY OF LOS ANGELES
TUESDAY, MARCH 22, 2011
9:30 A.M.**

- 1-D.** **Substitute** recommendation as submitted by Supervisor Ridley-Thomas: Direct the Executive Director of the Community Development Commission, in consultation with the Director of Public Works, to make available to all Board offices a monthly report for Community Development Commission financed new housing developments of \$10 million total project cost or more, on the retention by contractors of workers living within a five mile radius and in communities within Los Angeles County ZIP Codes with unemployment rates exceeding 150% of the County average as of this date. The reports shall include, but not be limited to: (Continued from meeting of 3-8-11)
- A description of the voluntary obligations, if any, associated with the Local Worker Hire efforts;
 - The total estimated number of construction hours that will be expended to conclude the projects;
 - The number and percentage of construction hours completed to date;
 - The number and percentage of construction hours performed by journey; apprentice and non-apprentice-level construction workers;
 - The percentage of the job that is being sub-contracted by the prime contractor to date; their status as a Small Business Enterprise and the estimated value of the sub-contract(s);
 - Whether these workers are under a collective bargaining agreement; the percentage of the workforce residing within a 5, 10 and 15 mile radius of the project site or within ZIP Codes with unemployment rates exceeding 150% of the County average as of this date; and

- Any data to date on the ethnicity of the workforce currently being utilized and the quantity of hours worked.

Direct the Executive Director to report the e- data every month for the duration of the projects; and

Direct the Executive Director to post these reports on the Community Development Commission website. (11-1086)

- 2-D.** Recommendation as submitted by Supervisor Knabe: Authorize the Executive Director to accept and incorporate up to \$29,000,000 from Capital Project Funds, Fourth District Capital Project Funds, and Fourth District Strategic Planning Funds, for the Hacienda Heights Community and Recreation Center project, the Rowland Heights (Pathfinder) Community Center project, and the Whittier Area Recreation and Family Service Center; and execute funding agreements and other related documents to receive the funds from the County, and to extend, renew, or otherwise amend the agreements without increasing authorized funding levels, to be effective following approval as to form by County Counsel and execution by all parties. (11-1256)

105th & Normandie Senior Apartments
Project Development History
March 16, 2011

In **March, 2006**, the CDC issued a Request for Proposals (RFP) to develop this CDC-owned parcel in the West Athens/Westmont community of unincorporated County.

In **January 2007** – CDC selected Southern California Housing Development Corporation of Los Angeles (SCHDCLA) as the primary developer, with Homes for Life Foundation (HFLF) as the partnering service provision agency (www.homesforlife.org). The CDC entered into an “Exclusive Right to Negotiate” agreement with SCHDCLA.

The applicant’s proposed development team included the Calabasas-based **Ellias Construction** Company as the general contractor. Federal funds allow for negotiated bids with general contractors when they are part of a development team that is selected through a procurement process. Ellias Construction has performed well on other CDC-funded multi-family construction projects.

SCHDCLA and HFLF proposed to build a 60-unit apartment complex consisting of two three story buildings. Six of the units would be reserved for low-income senior households with a history of chronic homelessness. These units would be rented to households earning up to 25% of Area Media Income (AMI). The remaining 54 units would consist of vary between 45% and 50% AMI to include a manager’s unit. The development budget was approximately \$11.7M.

This project represented the CDCs first attempt to incorporate housing (and services) for **seniors with a history of chronic homelessness** along with traditional affordable housing for low-income seniors. Due to these service-enriched units, the project was subsequently awarded \$600,000 of Homeless Housing Program Funds, which were funded out of the County’s **Homeless Prevention Initiative (HPI)**.

In 2007, SCHDCLA merged with **National Community Renaissance (National CORE)** and subsequent actions refer to CORE as the developer. CORE is based in Rancho Cucamonga. (www.nationalcore.org). As with all multi-family projects that seek federal tax credits, the ownership entity is a single asset limited partnership. For this project, the legal ownership entity is **Normandie Senior Housing Partners, LP**.

During the pre-development phase (2007 – 2009) National CORE held two community meetings to introduce the project to the local neighborhood. Mr. Henry Porter CDC Housing Commissioner was also consulted, and enthusiastically supported the project.

In **February, 2008**, the County Board approved a federal HOME loan of \$5,600,000 for the project. In **December, 2009**, the County Board approved a City of Industry Fund loan in the amount of \$1,100,000.

The project construction phase consisted of a two-phase approach. The 1st phase involved the alley vacation and moving of electrical power poles, which occurred between September, 2008 and January, 2009.

At the time that the alley work was to commence, the State's budget and bond crisis led to a **temporary suspension of funding for their Infill Infrastructure Grant (IIG)** program. As a result, the CDC made legal and financial arrangements to utilize approved CDC funding to fill the gap until State funds were available (which did occur several months later).

The 2nd phase consisted of constructing the buildings, and the financing partners (and their attorneys) became immersed in several months of conference calls to coordinate legal documents and financing terms. Construction was scheduled for early 2010.

The CDC/HACOLA financial stake in this project is very extensive. This includes:

- CDC-owned land – valued at \$1,225,000 (Oct, 2009)
- Issuer of \$8,000,000 of tax-exempt bonds
- HOME loan of \$5,600,000
- Industry Loan of \$1,989,155
- HHPF Loan of \$600,000

In addition to the CDC, the primary financing partners working towards a December, 2009 closing were (1) Bank of America and (2) Hudson Housing Capital. Because of the complex layering of financing instruments combined with lender issues related to the national economic crisis, the project closing kept getting delayed.

At the same time that financing agreements were being finalized, National CORE's Chairman, Jeffrey Burum became involved in allegations and investigations related to political activities in San Bernardino County. At approximately the same time, the City of Rancho Cucamonga awarded a large sum to National CORE for local projects. Due to concerns about these Inland Empire issues, and without notice to the CDC or National CORE, Bank of America abruptly withdrew from the project financing in March, 2010.

Subsequently, Mr. Burum resigned his position and the CDC consulted with legal counsel and National CORE, and found no legal, financial or ethical basis to consider that the 105th & Normandie project's viability was compromised. National CORE took the necessary steps to move forward with another investor and lender to commence construction in November 2010.

The new financing partners that stepped into the deal were CITI and Raymond James Tax Credit Funds. CDC/HACOLA was forced to extend the bond allocation and funding process.

The following is a chart outlining the final construction funding sources to support the total development costs.

<u>Construction Financing</u>		<u>Permanent Financing</u>
Tax Exempt Bonds:	\$8,000,000	--
4% Fed/State LIHTC:	\$ 471,067	\$4,755,851
HOME Loan:	\$ 4,626,164	\$5,600,000
HCD Infrastructure Grant	\$ 1,033,418	\$1,033,418
Deferred financing	\$1,075,500	--
CDC Industry Loan	--	\$2,739,155
CDC HHPF Loan	--	\$600,000
Deferred Developer Fee	--	<u>\$477,725</u>
TOTAL:	<u>\$ 15,206,149</u>	\$15,206,149

The project also applied for, and received, 15 Project-Based Vouchers from HACOLA, which helped leverage lower affordability levels for the tenants while also supporting project financing.

Construction Phase & Local Hiring

Construction is currently in progress.

On February 24th, approximately 30 individuals swarmed the construction site demanding that the General Contractor hire those who live within close proximity to the project. At that time, the general contractor has committed to the following:

1. Hired 2 individuals who live in the immediate area as laborers
2. Contracted with a local security company to patrol the job site during off hours.
3. Hired a local trash/recycling firm to process and dispose of the construction debris

The subcontractors have committed to the following:

1. The framing contractor has hired 5 individuals from the neighborhood as carpenters.
2. The concrete/masonry subcontractor employed 1 local individual
3. The electrical subcontractor has requested apprentices through the IBEW union specific to the two local zip codes.

Many of the trades, such as drywall, painting, roofing, landscaping and plastering, have not yet commenced work. The general contractor has urged these subcontractors to hire local individuals whenever possible in accordance with Section 3 requirements.

According to Section 3 of the Housing and Urban Development Act of 1968, as amended, 12 U.S.C. 1701u (Section 3) program requires that recipients of certain HUD financial assistance, to the greatest extent possible, provide job training, employment, and contract opportunities for low- or very-low income residents in connection with projects and activities in their neighborhoods.

Completion is scheduled for January, 2012.